COVE STREET CAPITAL

F A Q

Frequently Asked Questions

As of December 31, 2023

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Cove Street Capital LLC

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DUE DILIGENCE QUESTIONS

Firm Overview

1. Please provide a brief history of the organization.

Cove Street Capital, LLC ("CSC") is an SEC registered investment adviser founded by veteran value investor Jeffrey Bronchick, CFA.

We manage assets for a global mix of institutions and high net worth individuals on a separate account, mutual fund, and sub-advisory basis, utilizing a research intensive, concentrated, value-based strategy.

Prior to founding Cove Street, Mr. Bronchick was the Chief Investment Officer and lead principal of Reed Conner & Birdwell, LLC (RCB), a Los Angeles-based asset manager. After the sale of RCB, Cove Street opened its doors in 2011 with $274mm AUM, a full investment team, and an institutional caliber operations and compliance infrastructure.

We are continually improving a world-class investment organization that delights clients with excellence in performance and client service, and inspires colleagues with a collegial meritocracy that rewards intellect and ambition.

2. What is "Cove Street?" Is that your address?

Our name stems from 97 Cove Street, New Bedford, Massachusetts, the original home of Berkshire Hathaway, which became Warren Buffett's investment and business vehicle after the winding down of his original investment partnership. With all appropriate modesty, we directionally embrace the principles of value investing, high integrity, and honest and forthright communications with clients, but are highly unlikely to make any material investments in textile mills.

We are headquartered at 525 South Douglas Street, Suite 225, El Segundo, CA 90245. El Segundo is in the "South Bay" of Los Angeles. We are 10 minutes away from LAX and under a mile from the 405 Freeway.

3. Describe the current ownership structure and provide an organizational overview.

We are 100% employee-owned. Our long-term ownership philosophy is to intelligently distribute equity to both investment and operations team members.

We have seven full-time employees that comprise our three departments: Investments + Research, Operations + Compliance, and Business Development + Client Service. (Team Biographies on page 35.)

CSC ORGANIZATIONAL CHART

INVESTMENTS + RESEARCH		
Jeffrey Bronchick, CFA Principal Portfolio Manager	**Andrew Leaf** Principal Research Analyst	**Austin Farris** Research Analyst
OPERATIONS + COMPLIANCE		
Matthew Weber Principal President	**Merihan Tynan** Principal Chief Compliance Officer	**Fabiola Barrios** Principal Controller
BUSINESS DEVELOPMENT + CLIENT SERVICE		
	Paul Hinkle Principal Chief Client Officer	

4. Describe the culture of the firm.

We are a highly motivated, entrepreneurial, and open ecosystem. Every member of the firm understands "DHM" and the importance of its ordering—Delight Clients, Have Fun, Make Money. The atmosphere is highly collaborative and ideas flow across rank and job description, enabling "failure free" expression. The best thing a human being can do is help another human being know more—personal growth is encouraged and compensated. Resonating themes include: unwavering ethics and devotion to client first; independent work with full accountability; ownership mentality; a focus on what is the "best way," not "this is how it has been done before;" and submission of rank and seniority to best idea and best practice.

5. Is the firm registered with any regulatory agency? Please provide your SEC file number and CRD number, and indicate whether the firm is a Qualified Professional Asset Manager (QPAM).

CSC is a U.S.-based investment management firm and is registered as an investment adviser with the Securities and Exchange Commission.

- SEC File Number: 801-72231
- CRD Number:156260
- QPAM: Yes

You can access our ADV and related documents on our website FAQ page.

6. Provide a description of any litigation or regulatory actions involving the firm or any of its principals.

The firm has not been a party to any litigation or any regulatory actions and is not aware of any such pending activity.

7. Please list the firm's service providers.

Legal + Compliance	Davis Graham & Stubbs LLP Denver Olshan Frome Wolosky LLP *New York*
Accounting	Herman & Chamow CPA *Los Angeles, CA*
Performance Verification	ACA Group *Chattanooga, Tennessee*
Portfolio Accounting + Order Management Software	Clearwater Analytics *Boise, Idaho* *FlyerFT - New York*
Information Technology Support	NIC IT Solutions | Cloud Services *Los Angeles, California*
Custodians	We have—or can establish—custodian relationships with all quality financial institutions. [o]

8. Please provide details of the firm's insurance coverage.

COVERAGE TYPE	AMOUNT	CARRIER
Directors & Officers	$5,000,000	Chubb*
Errors & Omissions	$5,000,000	Chubb *
Fund Management Professional Liability (GPLP)	$1,000,000	Chubb
EPLI	$2,000,000	Chubb *
Fiduciary Liability / ERISA	$4,340,000	Chubb
Financial Institutional Bond	$500,000	Chubb *
Other - Workers Compensation	$1,000,000	The Hartford*

* Refers to Travelers Casualty & Surety Company of America

[o] Cove Street Capital does **not** have custody over any clients' cash, bank accounts or securities with the exception of the new launch of CSC_Partners Fund. (Please refer to ADV part 1 – Item 9 – Custody)

Strategy Overview

1. What investment strategies does the firm offer?

Classic Value | **Small Cap**

Small Cap Value is a concentrated small cap value strategy that applies a fundamental, bottom-up stock selection process within a universe of approximately 3,500 U.S. companies with a market capitalization below $3 billion, as well as a relevant universe of non-U.S. companies.

We consistently run computer screens to identify "fishing pools" of statistically cheap securities and highly desirable business models. We also draw upon a deep cumulative well of investment experience and industry contacts to find and identify ideas. Cove Street "team tackles" fundamental business model drivers and establishes intrinsic value targets with a multivariate approach, incorporating discounted cashflow, historical valuation metrics, and private market and asset-based valuations. We pay careful attention to "management" and quantitatively review historical capital allocation decisions as well as Board composition and compensation structure.

The portfolio holds 30 to 39 stocks and PM Jeffrey Bronchick, CFA is responsible for the final portfolio decision. Sector weightings are a result of the bottom-up approach. We have a 30% risk limit in any single industry and a 10% limit on any single security at purchase. We are very mindful of the negative correlation between asset growth and performance, and Cove Street will err on the side of protecting existing clients and close the strategy in the face of aggressive asset flow.

Less is more in regards to portfolio turnover, as experience has proven that the quality of decision-making decreases with frequency. That said, mistakes are inevitable and our concentrated research assists in identifying errors relatively early. Stocks are sold when their price no longer reflects a margin of safety or we have identified materially better values in other stocks.

This strategy is offered on a separate account, mutual fund, or sub-advised basis.

Classic Value | **Small Cap FOCUS**

Small Cap FOCUS is a concentrated strategy of the 8 to 13 "best ideas" from our Classic Value | Small Cap portfolio. We apply the same fundamental, bottom-up stock selection process. The strategy is offered on a separate account basis.

Classic Value | **Micro Cap Opportunities**

Micro Cap Opportunities is a concentrated strategy that applies the same fundamental, bottom-up stock selection process as Classic Value | Small Cap to companies with market capitalizations under $1 billion. It is available in a separately managed account consisting of 25 to 35 stocks or a limited partnership which pursues a more active approach to a handful of high ownership positions.

CSC Partners GP LP

CSC Partners is a concentrated strategy of 5 to 8 Small and Micro cap companies. We leverage our fundamental research-driven philosophy and process combined with active engagement at the Board level. We have a long-term time horizon that aligns with ownership mentality and fee structure.

2. How do you think about capacity in the firm's current strategies?

There is not a more valid truism in the investment management business than the assertion that asset growth is the enemy of performance.

We presently believe that we have $1.1 billion in capacity in our Small Cap strategies, an amount that will allow small cap representation in other strategies

3. Are any of the firm's strategies tax efficient?

While investment considerations should almost always trump a tax decision, the principals of Cove Street have over 40 years of experience in managing taxable accounts. Our separate account structure and focus on a smaller number of substantial relationships enables tactical tax planning per client needs.

4. What percent of the firm's current investors are institutional versus high net worth?

As of December 31, 2023:

Institutional	87%
High Net Worth	13%

5. What are the composite inception dates of the firm's offered strategies and how long has the current investment team managed them?

The composite inception dates of the firm's offered strategies are as follows:

Classic Value | **Small Cap**	December 31, 1993
Classic Value | **Small Cap FOCUS**	September 30, 2007
Classic Value | **Micro Cap Opportunities**	December 31, 2020

Jeffrey Bronchick, CFA is the portfolio manager for Classic SmallCap and SmallCap Focus, and co-manages Micro Cap Opportunities with Andrew Leaf. Strategies pre-dating July 1, 2011, were managed by Mr. Bronchick during his tenure as the Chief Investment officer of RCB, where he was the key decision maker. As part of the sale transaction with RCB, Cove Street retained portability rights to the GIPS® audited track records for the strategies that he had managed.

6. What is in the pipeline for Cove Street Capital?

We launched our new Fund on January 1st 2022. CSC Partners Fund, LP was organized as a Delaware limited partnership (the "Fund") to operate as a private investment partnership. The Fund generally invests in concentrated public equity securities of smaller companies whose capitalization will typically be less than $250 million but will occasionally express its investment views in other parts of the capital structure when they offer superior risk-reward characteristics. This formalizes our PE in Public Markets approach and we will be active with invited Board Representation.

7. What is the Cross Ownership of investments in CSC Partners and the Class Value Separate Accounts?

We naturally look to leverage our core research work and thus CSC Partners first look is into the firm's core holdings. The hurdle for CSC Partners is "can we be a/the fulcrum investor and be able to materially influence capital allocation, strategic diction and governance decisions." From time to time, there may be situations where there is not sufficient liquidity in which to purchase a position across all accounts and that may be "right" for CSC Partners. CSC Partners also has a much broader mandate than many of our institutional clients and can purchase private securities, equity-linked or fixed income, and participate in 144A financings that are not feasible for other clients.

Investment Research

1. **Briefly describe the firm's investment philosophy.**

We are classic value investors in the tradition of Benjamin Graham and Warren Buffett, seeking superior long-term performance through the purchase of securities selling at prices materially below our estimate of intrinsic value. This process of "winning by not losing" protects capital from permanent loss (as distinguished from "quotational risk") and puts us on the correct side of the mathematics of compounding.

We believe the best performance records in the investment industry have been created by small teams of value-based analysts, as decisions are made by those doing the actual research. Cove Street Capital's work and time are not wasted through committees and laborious people management processes.

We run concentrated portfolios, which allows our best ideas to drive performance. It is both a fool's errand as well as disingenuous to clients to over-diversify the results of careful decision-making in an attempt to mimic indices to achieve performance. The only way to achieve superior long-term returns is to have the intellectual courage to differ from the mood of the day and the indices to which we are compared.

While we hunger for objective evidence and rigorously model our investment ideas, we retain a healthy skepticism toward advanced math and formulaic convention. We are investing in real businesses run by real people whose securities are valued in the short-run through an imprecise prism into a future that is always uncertain. There will never be a precise formula for good judgment.

To paraphrase Buffett paraphrasing Graham, we will neither be right nor wrong because the crowd disagrees with us. We will be right when our data and reasoning are right.

Despite a tremendous amount of academic and practical effort, financial markets are only "occasionally efficient." Even the most cursory review of market movements over the past two decades renders any other conclusion unsupportable by common sense.

Pricing inefficiencies systemically exist in the market place due to a variety of factors. Many are due to the "business" of money management, which encourages a myopic focus on short-term phenomena—quarterly earnings, news chasing, quarterly performance reporting—that are inherently and historically unpredictable. This limited scope produces opportunities for investors who have the discipline and confidence to invest with a longer-term time horizon.

Another issue relates to asset size. It is simply impossible to understand with any depth 400 companies in a portfolio; conversely, a fairly concentrated portfolio with a reasonable asset size enables in-depth fundamental research to add value as well as the enhancement of the ability to recognize mistakes and make changes.

Finally, value investing—the art of buying a dollar for 60 cents—is not easy in practice. It requires discipline and patience, attributes that have proven not to be innate to members of the institutional money management world. Whatever the asset class, value-oriented investing remains the only intellectually viable investment philosophy that not only makes common sense, but also has a track record that has stood the test of time.

2. **Please describe the investment team for the Firm's strategies.**

Our Principal and Portfolio Manager Jeffrey Bronchick, CFA leads a team of three analysts that drive the research process for the firm's strategies. Jeffrey Bronchick, CFA is the portfolio manager for Classic SmallCap and SmallCap Focus, and co-manages Micro Cap Opportunities with Andrew Leaf. (Team Biographies begin on page 35.)

We believe the best performance records in the investment industry have been created by small teams of value-focused analysts, as decisions are made by those doing the actual research, and our work and time are not wasted through committees and laborious people management processes. We run concentrated portfolios in a limited number of strategies with a long-term time horizon that leads to low turnover, a process that lends itself well to our structure.

As noted 20th century social scientist Herbert Simon said, "A wealth of information creates a poverty of attention."

3. How does the research process work?

We define our research process in four stages:

1	2	3	4
Generate Ideas	Qualify	Deep Dive	Decision

1 Generate Ideas

Idea generation, Stage 1 of our process, is driven by both quantitative and qualitative analyses. As a value-based, bottom-up manager, we consistently screen markets for securities that appear statistically inexpensive. In turn, we use this pool of ideas drive our efforts and our work rather than begin the day with a preconceived notion of what we would like to buy. We also screen for "good businesses," as defined by classic characteristics such as consistency of growth and profitability, high returns on invested capital and sustainable competitive advantages. Ultimately, we ask ourselves if the valuation is cheap enough to provide a proper margin of safety. Our screens are based on combinations of value, business fundamentals, and corporate behavior. On a qualitative basis, ideas are produced from our collective investment experience, our deep contact network, out of office experiences, and obvious headline issues.

2 Qualify

Once we have determined that an idea has promise, we qualify those ideas in Stage 2, during which we digest the publicly available information on the company and populate our analytical spreadsheet with the company's relevant financial information. The analytical spreadsheet is designed to help the team efficiently determine the financial characteristics of the business. We then ask: does the investment candidate appear to be either a great business at a reasonable price (Buffett) or an exceedingly cheap security that provides a deeper margin of safety to compensate for potential business issues (Graham)?

3 Deep Dive

Stage 3 is the Deep Dive. The research team performs intensive analysis on valuation and business characteristics, with a group of analysts focused on the stock as a "purchase" and one or more analysts focused on the stock as a "short-sale," a version of the so-called Socratic method of reasoning. Key pivot points include:

- What is a reasonable estimate of intrinsic value? We incorporate a multivariate approach that utilizes a discounted cashflow analysis; private market values; and a historical calculation of enterprise value to normalized earnings, cashflow, and revenue.
- Classic Porter's five forces value chain analysis of competitors, suppliers, potential entrants, customers, and substitutes.
- Is there a competitive advantage that can generate sustainably strong returns on invested capital?
- Management: friend, neutral or foe?
- PEEST Analysis: Political, Economic, Environmental, Social, Technological issues.
- What are we thinking that others are not?
- What will it cost us if things go very wrong?

④ Decision

Stage 4 is the Decision. The Small Cap portfolio consists of 30 to 39 companies. Other strategies are more concentrated. Is there sufficient risk-adjusted upside—on an absolute basis and versus other stocks we own? How does it fit with the portfolio's industry concentration? Do tactical timing issues call for a full (5%) or half (2.5%) position?

Final Decision is made by the Portfolio Manager.

①	②	③	④
Generate Ideas	Qualify	Deep Dive	Decision

As the team executes Stages ③ and ④ discussed above, they complete our Decision Process spreadsheet, which contains a series of qualitative and quantitative checklists. This tool helps the team identify the issues and risks that should be considered and studied as part of the investment process. At the end of the process, each participating analyst records a recommendation within the decision process spreadsheet and answers the following questions: What is it worth? What should we do? At what position size? Recording the analysis and each analyst's recommendations helps us avoid revisionist history and maintain intellectual honesty, which is applicable for compensation purposes and helps us identify and monitor our own biases.

As discussed above, although the investment team operates in a very flat and team-based fashion, ultimately the Portfolio Manager(s) makes the final decision as to purchases, sales, and position size.

Less is more in regards to portfolio turnover, as experience has proven that the quality of decision-making decreases with frequency. That said, mistakes are inevitable and our concentrated research assists in identifying errors relatively early.

Our sell discipline is also based upon a blend of qualitative and quantitative measures:

Valuation | People | Business

Valuation

- A good business is excessively valued (Buffett) or a reasonable business is fairly valued (Graham)
- A better idea is found that materially improves the risk/reward characteristics

People

- Unexpectedly poor decisions are made allocating shareholder capital
- Loss of confidence that management and the board are best representing shareholders and the cost and effort to influence this process are deemed prohibitive

Business

- We are incorrect in our expectations about long-term economic margins and earnings power
- Actual or likely prospects of balance sheet deterioration.
- Cyclical industry problems reveal themselves as secular

4. Please specify the frequency of regularly scheduled investment, strategy, and/or research meetings.

In terms of scheduled meetings, the investment team meets twice a week: once on Monday mornings and once on Thursday afternoons to add some structure to our process and to recap the week's work and any new information, respectively. More specifically, on Mondays, the team discusses concerns about the portfolio (downside orientation), what they saw in their

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weekend screens, and what they will be working on over the course of the week. Although there are certain scheduled meetings, the majority of the communication between team members is not "scheduled." The investment team, including Mr. Bronchick, sits in an open space where they are regularly discussing companies, new information, and research findings. The analyst team is not captive to making decisions at set times. Rather, as information warrants, the Portfolio Manager or an analyst can convene the team, provide information and a suggested course of action, and move to make a decision.

5. How is the investment team compensated?

There is a competitive salary structure plus a bonus that is both performance-based and incorporates qualitative factors such as internal teamwork and the improvement of CSC's investment and operational infrastructure. All Analysts are Principals and are compensated through their ownership of the firm. We do not believe in complex, siloed compensation structures, as they will inevitably be divisive to a team effort and culture.

6. Do your investment professionals invest their own assets in your strategies?

To use a common phrase: yes, we eat our own cooking. Mr. Bronchick has a large portion of his liquid net worth in our mutual fund, which pursues our Classic Value | Small Cap strategy. He is also one of the largest individual shareholders in the mutual fund. Almost every employee in the firm, including research analysts, invests in the mutual fund..

Portfolio Management

1. Please describe the portfolio construction process.

Cove Street pursues relatively concentrated portfolios with relatively low turnover. There are typically 30 to 39 stocks in our Small Cap strategy,8 to 13 in our Small Cap FOCUS strategy, and 25 to 35 in our Micro Cap Opportunities strategy. Our initial position will typically start as a half position at 2.5% of the portfolio or a full position at 5% of the portfolio, depending on the nature of the business, margin of safety, and tactical considerations at the time of purchase.

We do not seek in any way to replicate market indices as far as sector weightings. With the exception of Small Cap FOCUS, we will limit our exposure to a particular industry to 30% of the portfolio based on the behavioral finance suggestion of the potential for hubris in investment management.

While we are generally investing with a five to seven year outlook, volatility for individual stocks and the market more broadly can produce swings that enable value-adding shifts in position weighting within the context of our longer-term outlook.

2. Describe the investment environments in which the firm's strategies are most likely to outperform or underperform style peers.

As a general statement, our goal is to generate competitive returns in strong up markets and to outperform in down markets.

3. What are the most appropriate benchmarks for your investment strategies?

We have often said, benchmarks are like potato chips—it is difficult to have just one. Our reasoning is that indices have statistical biases just as our portfolios have certain biases, and particularly over the short-run, these inherent biases can make the portfolio manager look better—or worse—than the long-run might eventually suggest.

For Small Cap and Small Cap FOCUS portfolios, the Russell 2000® and Russell 2000® Value are reasonably appropriate benchmarks. Micro Cap Opportunities is more oriented towards absolute return while remaining aware of the Russell Microcap index. Our job is fiendishly simple—

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protect capital in difficult markets and outperform benchmark indices over the long-run. To do so, we must be willing to invest "differently" from the indices and have the investment discipline and client support to endure inevitable periods of short-term discomfort when the "trend du jour" manifests itself in short-term underperformance versus an index.

We recognize that diversifying investment managers by "style" is pervasive and that it can reduce the probability of significant under-performance in the short-run. However, we believe that in today's investment world, the "styles" are defined too mechanically. Assigning each manager to a specific "style box" in a matrix overlooks the reality that asset management firms are of different sizes and shapes and they overlap in non-quantifiable ways. This is not to say that managers should not be held accountable for performance, but to manage to a box or an index is to nearly guarantee mediocre performance.

4. How do you factor liquidity into your process?

Liquidity can be a factor in position sizing. We have no set rules on liquidity, as it is highly variable and does not relate well to mean analysis. We endeavor to not hold more than a handful of very illiquid securities in the portfolio at a given time. We monitor portfolio liquidity on a weekly basis.

5. Do you hold cash?

Yes, when we find little to buy that provides a margin of safety for other people's money. Cash is a residual of our investment process rather than a "feeling" that all is not right in the world. We will immediately communicate with the client and intermediaries if we are having difficulty finding enough value to meet investment guidelines on cash holdings.

6. What is the turnover of your portfolios?

Our turnover is as low as we can make it, but much depends on the volatility of markets. For Classic Value | Small Cap, our turnover has averaged roughly 40% over a long period of time, but there have been years where it has been as low as 10% and as high as 60%. It can lean higher in Small Cap due to inherently higher volatility and takeovers. The average turnover for Classic Value | Small Cap FOCUS has been around 60% over the last several years.

7. How do you define risk and how is portfolio risk managed?

In its purest form, risk is the likelihood of permanently losing money. As the world remains inherently uncertain in terms of outcome, we reject the idea that risk can adequately be defined by volatility. If an investment time horizon is appropriately aligned with the style of management, short-term "quotational risk" should be a factor that is de minimis as one views a longer-term investment program.

Our intensive investment process is our best source of risk control—we know what we own, we believe the valuation suggests a proper margin of safety if we are wrong, and we run concentrated portfolios, a fact that indicates we are fully engaged in watching the basket closely.

The Portfolio Manager, Chief Compliance Officer, and President lead efforts to ensure that client portfolios are managed within the respective guidelines.

We also identify with this excerpt of an investment memo from Oaktree Capital's Howard Marks (reprint verbatim):

> Investment risk comes in many forms. Many risks matter to some investors but not to others, and they may make a given investment seem safe for some investors but risky for others.

FALLING SHORT OF ONE'S GOALS

Investors have difficult needs, and for each investor the failure to meet those needs poses a risk. A retired executive may need 4 percent per year to pay the bills, whereas 6 percent would represent a windfall. But for a pension fund that has to average 8 percent per year, a prolonged period returning 6 percent would entail serous risk. Obviously, this risk is personal and subjective, as opposed to absolute and objective. A given investment may be risky in this regard for some people but riskless for others. Thus, this cannot be the risk for which "the market" demands compensation in the form of higher prospective returns.

UNDERPERFORMANCE

Let's say an investment manager knows there won't be more money forthcoming no matter how well a client's account performs, but it's clear the account will be lost if it fails to keep up with some index. That's "benchmark risk," and the manager can eliminate it by emulating the index. But every investor who's unwilling to throw in the towel on outperformance, and who chooses to deviate from the index in its pursuit, will have periods of significant underperformance. In fact, since many of the best investors stick most strongly to their approach—and since no approach will work all the time—the best investors can have some of the greatest periods of underperformance. Specifically, in crazy times, disciplined investors willingly accept the risk of not taking enough risk to keep up. (See Warren Buffett and Julian Robertson in 1999. That year, underperformance was a badge of courage because it denoted a refusal to participate in the tech bubble.)

CAREER RISK

This is the extreme form of underperformance risk: the risk that arises when the people who manage money and the people whose money it is are different people. In those cases, the managers (or "agents") may not care as much about gains, in which they won't share, but may be deathly afraid of losses that could cost them their jobs. The implication is clear: risk that could jeopardize return to an agent's firing point is rarely worth taking.

UNCONVENTIONALITY

Along similar lines, there's the risk of being different. Stewards of other people's money can be more comfortable turning in average performance, regardless of where it stands in absolute terms, than with the possibility that unconventional actions will prove unsuccessful and get them fired. Concern over this risk keeps many people from superior results, but it also creates opportunities in unorthodox investments for those who dare to be different.

ILLIQUIDITY

If an investor needs money with which to pay for surgery in three months or buy a home in a year, he or she may be unable to make an investment that can't be counted on for liquidity that meets the schedule. Thus, for an investor, risk isn't just losing money or volatility, or any of the above. It's being unable to turn an investment into cash at a reasonable price when needed. This, too, is a personal risk.

8. What aspects of your investment approach differentiate you from other managers? What part(s) of your process add the most value?

The world's computers can run "trailing factors" and screen for valuation. It cannot judge people, incentives, or "change catalysts." That's what years of experience and internally generated research can do, and how our process adds value versus a passive index or—frankly—many of our "index-lite" peers.

Key elements our firm are as follows:

- We have a culture that is dedicated to meritocracy and continuous improvement, and that engages people by giving them an active voice in all aspects of the firm.
- We have a small team of investment professionals with different points of view and we incentivize them properly.

CONTINUED

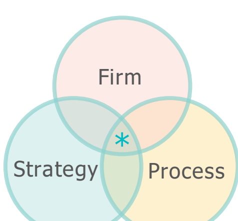
- We are 100% employee-owned and will continue to use equity as a way to incentivize current and future employees as warranted.
- We are an investment firm whose purpose is to generate returns for clients, not simply to gather assets.

The characteristics of our strategies add another layer of differentiation:

- We do not attempt to mimic indices or the portfolios or holdings of other well-regarded money managers.
- We do not adhere to an over-diversification policy that inevitably inhibits performance.
- We will limit assets under management to maintain the integrity of our strategies.

Lastly, important tenets of our investment process include:

- We are a team of generalists that "team tackle" potential investments, avoiding the expert fallacy.
- We employ a Socratic method, dividing our Investment team into Longs that lead the research process, and Shorts that try to kill the idea and identify how we could lose money in the investment.
- We record our Decision Process (DP). Our DP spreadsheet is a series of qualitative and quantitative questions that help us summarize our research and serve as an honest intellectual history of our work and thinking for future reference.
- We do not employ group decision-making—investment people contribute—Portfolio Manager(s) makes final call.



These characteristics of our firm, strategies, and process—taken as a whole—differentiate us from other institutional asset managers.

We believe the pricing inefficiencies that we capitalize on have been persistent over long periods and the academic research supports its persistence. We believe our advantage is sustainable by maintaining the people, culture, and incentives that we have in place.

Trading + Execution

1. Please describe the firm's trading operations and processes.

Cove Street Capital has a trading team who works closely with the firm's research team to achieve best execution within the context of investment goals. Each order is evaluated to determine the optimal execution strategy. We have numerous relationships with large and small broker dealers, and we make extensive use of technology to utilize electronic trading platforms, dark liquidity pools, and algorithmic trading tactics. In making the broker selection, factors involved include liquidity offered in a specific name, size of the order, urgency of the investment decision, estimated market impact, and commission costs. We also have some client relationships that specifically direct our order flow.

At the end of each day, the trading desk produces a trading blotter that is electronically disseminated to the research team and firm's compliance officer.

2. Describe the firm's order management system (OMS) and any other trading-related technology used by the firm.

Clearwater Analytics is our Accounting platform used to improve efficiency and workflow at Cove Street Capital. Our OMS system is FlyerFT.

3. Describe the investment process across the life cycle of a trade.

Initiation Execution Settlement

The life cycle of a trade begins when the Portfolio Manager makes a final investment decision. The trade order is created in FlyerFT, our order management system. After the initial request is checked against client guidelines and restrictions, the approved order is sent to the trading desk.

Initiation Execution Settlement

At the trading desk, order blocks are randomized, then sent electronically to for dark pool, algorithm, or broker selection. Order fill details are transmitted back to FlyerFT via fixed connections. The process is tracked and verified through electronic/paper audit trails.

Initiation Execution Settlement

Broker allocations are sent via CTM™. The transaction details from FlyerFT are pulled into DTCC. One day after the transaction (T+1), trades are matched to the custodian in DTCC and accounts are reconciled in Clearwater. Pre- and post-trade allocations are applied fairly across all accounts.

4. Please provide an overview of the trade allocation process.

The firm has adopted a clear written policy for the fair and equitable allocation of transactions (e.g., pro rata allocation, rotational allocation or other means). This position is disclosed in the firm's Disclosure Document (See ADV Part 2A on our website FAQ page). CSC's complete policy, which is available upon request, prohibits any allocation of trades in a manner in which the firm's affiliated accounts, or any particular client or group of clients, receive(s) more favorable treatment than other client accounts.

If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day may be allocated either pro-rata among the participating client accounts in accordance with the initial order ticket to avoid having odd amounts of shares held in any client account and to avoid excessive ticket charges in smaller accounts on partial fills.

5. Describe the firm's brokerage direction policies.

CSC may accept client instructions for directing the client's brokerage transactions to a particular broker-dealer. Any client instructions to CSC are to be in writing with appropriate disclosures. It is important to note that for any directed brokerage arrangements CSC will not negotiate commissions, may not obtain volume discounts or aggregate directed transactions, and that commission charges will vary among clients and the ability to obtain best execution may be hindered. Directed brokerage clients, which are not included in blocked orders, may at times see deviation from the randomized trading order.

6. Do you evaluate trading costs on an ongoing basis?

As part of CSC's brokerage and best execution practices, CSC has adopted and implemented best execution practices and established a Brokerage Committee that meets quarterly during the Trading meeting. Members include the Firm's CCO, Portfolio Manager, and Head Trader.

The Brokerage Committee has the responsibility of monitoring our Firm's trading practices, gathering relevant information, periodically reviewing and evaluating the services provided by broker-dealers, and assessing the quality of executions, research, commission rates, and overall brokerage relationships, among other things. The Transaction Cost Analysis (TCA) analysis vendor is Instinet, LLC.

CSC conducts periodic reviews of the Firm's brokerage and best execution policies and documents these reviews, and discloses a summary of brokerage and best executions practices in response to item 12 in Part 2A of Form ADV.

7. Please outline the Firm's trade error policy.

As a fiduciary, CSC has the responsibility to effect orders correctly, promptly, and in the best interests of our clients. In the event any error occurs in the handling of any client transactions, due to CSC actions, or inaction or actions of others, CSC's policy is to seek to identify and correct any errors as promptly as possible without disadvantaging the client or benefiting CSC in any way. If the error is the responsibility of CSC, any client transaction will be corrected and CSC will be responsible for any client loss resulting from an inaccurate or erroneous order.

CSC's policy and practice is to monitor and reconcile all trading activity, identify and resolve any trade errors promptly, document each trade error with appropriate supervisory approval, and maintain a trade error file.

8. Does the firm utilize soft dollars?

CSC, as a matter of policy and practice, does not have any formal or informal arrangements or commitments to utilize research, research-related products, and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

9. Discuss liquidity in regard to the trading process.

All orders are discussed between the trading desk and the research team to determine the optimal strategy. In making the broker selection, factors involved include liquidity offered in a specific name, size of the order, urgency of the investment decision, estimated market impact, and commission costs. Cove Street Capital does not pay for research, has no soft dollar or TSA agreements, and has no set budget that needs to be met. This allows the traders to always seek best execution at the best liquidity option available at that time, with no conflict of interest.

At the end of each day, a trading blotter is electronically disseminated to the research team and the entire firm. CSC's Brokerage Committee —comprised of the CCO, Portfolio Manager, and Head Trader—meets quarterly during the Trading meeting. The committee is responsible for monitoring our Firm's trading practices, evaluating services provided by broker-dealers, and assessing the quality of executions, among other things.

Liquidity can be a factor in position size for our Small Cap positions. We have no set rules on liquidity, as it is highly variable and does not relate well to mean analysis. We endeavor not to have more than a handful of very illiquid securities in the portfolio at a given time. We monitor portfolio liquidity on a weekly basis.

Operations

1. Please provide an overview of the firm's operational capabilities.

Cove Street is structured as an institutional investment company, with operational capacity to work with the world's largest and most sophisticated firms. We use FlyerFT as our order management solution, which partners with Clearwater Analytics for portfolio management and accounting software.

CSC will continue to lever its relationship with its technology partner, NIC. NIC is a Los Angeles-based Information Technology consulting firm that was founded in 2002 by our predecessor firm's former CTO, who has worked with CSC principals for over 20 years. NIC specializes in addressing the needs of investment advisers and provides CSC with cloud computing services and technical support. Disaster Recovery Services, Cybersecurity, Regulatory Compliance, and Data Security are also facilitated for CSC by utilizing enterprise level solutions managed by NIC. With their assistance, CSC leverages state-of-the-art technology to create an efficient and reliable infrastructure for its information systems and data.

2. Describe the process by which portfolio transactions are reconciled.

Via Clearwater, CSC obtains custodial data feeds. This allows CSC to consolidate account level information with various custodians for reconciliation and posting transactions into Clearwater. Data is trade-date based and available before the market opens on T+1. Cash, trade, and position reconciliations are carried out daily on T+1 basis.

3. What is the firm's valuation standard for its portfolio positions?

CSC's pricing policy requires all client portfolios to reflect current, fair, and accurate market valuations. Through integration with Clearwater, CSC obtains prices and reference data for all held securities through Refinitiv. On the rare occasion when pricing information for a thinly traded security is not ascertainable, CSC's policy is to price at the lower of the median of the bid and ask or the last trade.

4. How are account restrictions addressed?

Accounts are electronically coded within FlyerFT for restrictions and asset allocation, and cannot be over-ridden without review from the compliance officer and senior management. Post-trade allocations are reviewed in Clearwater.

5. How does the firm handle proxy votes and regulatory filings?

CSC has the responsibility for voting proxies for portfolio securities consistent with the best economic interests of the clients. Our firm maintains written policies and procedures as to the handling, research, voting, and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies, and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records. Unless specifically instructed by a client in writing, CSC generally casts proxy votes against issues that seek to entrench the Board and management of a company through anti-takeover measures, staggered Board terms, super majority requirements, and poison pill provisions. CSC is highly sensitive to any measures that potentially dilute shareholder interests through new security issuance or excessive management compensation through equity gifting. Unless directed by a client in writing, CSC will not vote shares in favor of any "social" issues unless such issues happen also, in CSC's judgment, to directly advance shareholder value. CSC will act in a manner deemed prudent and diligent and which is intended to enhance the economic value of the assets of the account.

Legal and Compliance

1. Please provide an overview of the firm's legal and compliance functions.

CSC has adopted policies and procedures that it believes are reasonably designed to prevent violations of the Investment Advisers Act of 1940, in accordance with Rule 206(4)-(7) under the Advisers Act.

Management and members of the CSC Compliance Department are primarily responsible for the development and implementation of appropriate policies and procedures. Monitoring systems are tailored to particular policies and procedures, with the manner and frequency of testing varying as appropriate.

CSC's compliance procedures include the reporting of violations or errors to designated personnel. After preliminary due diligence and investigation, matters are corrected or resolved in an appropriate manner. Resolution will vary depending on, among other things, the nature and severity of the violation.

CSC recognizes that compliance policies and procedures are living documents and are constantly evolving and improving. The CSC Compliance Department monitors regulatory developments and reviews these materials to reflect any new rules and any amendments to existing rules, as well as other regulatory developments.

Merihan Tynan, CSC's Chief Compliance Officer (CCO) and CSC's Client Service team, administers its compliance policies and procedures. The CCO and the Client Service team are responsible for: overseeing the establishment and implementation of policies and procedures governing the activities of CSC in order to assure compliance with federal securities laws; maintaining compliance-related books and records; training colleagues to assure compliance with applicable compliance policies; assisting in the provision of information to regulators as requested in the course of an examination; and periodically reviewing compliance programs for effectiveness of implementation and conformity with relevant laws and regulations.

2. Does CSC maintain a compliance manual?

Yes. Cove Street Capital's Compliance Program addresses the conflicts and other risk factors that create risk exposure for CSC and its clients, including those identified by the SEC in its release of Rule 206(4)-7.

3. Summarize CSC's personal trading policy.

The policy of CSC is to avoid any conflict of interest, or the appearance of any conflict of interest, between the interests of CSC, its officers, partners, employees, and the interests of CSC's advisory clients ("Clients"). The Investment Company Act and rules require that CSC establish standards and procedures for the detection and prevention of certain conflicts of interest, including activities by which persons having knowledge of the investments and investment intentions of Clients might take advantage of that knowledge for their own benefit.

The CCO, or such other individual(s) designated in the Code of Ethics, will monitor and review all reports required under the Code for compliance with CSC's policies regarding personal securities transactions and applicable SEC rules and regulations. The CCO may also initiate inquiries of access persons regarding personal securities trading. Access persons are required to cooperate with such inquiries and any monitoring or review procedures employed by CSC. Any transactions for any accounts of the CCO will be reviewed and approved by Jeffrey Bronchick, or other designated supervisory person. The CCO shall at least quarterly identify all access persons who are required to file reports pursuant to the

Code and will inform such access persons of their reporting obligations.

Pre-Clearance**:** All personal securities transactions must be conducted through brokerage accounts that have been identified to the Compliance Officer (or in her absence a designee within the firm). Each such brokerage account must be set up to deliver duplicate copies of all confirmations and statements to the Compliance Officer. All personal securities transactions must be cleared in advance by the Compliance Officer (or in her absence a Principal of the firm).

Unless approved in advance by the CCO, a CSC employee shall not purchase or sell, directly or indirectly, any security on a day or period of active CSC trading in which any client has a pending buy or sell order in that same security until that order is executed or withdrawn. At no time shall a CSC employee execute a trade that is in opposition to what we are doing for clients—i.e., sell when the client is buying or buy when the client is selling, unless there is a highly personal reason that is approved in advance by the CCO.

4. What Anti-Money Laundering (AML) policies does CSC have in place?

It is the policy of CSC to seek to prevent the misuse of the funds it manages, as well as prevent the use of its personnel and facilities for the purpose of money laundering and terrorist financing. CSC has adopted and enforces policies, procedures and controls with the objective of detecting and deterring the occurrence of money laundering, terrorist financing, and other illegal activity. Anti-money laundering ("AML") compliance is the responsibility of every employee. Therefore, any employee detecting any suspicious activity is required to immediately report such activity to the CCO, Merihan Tynan. The employee making such a report should not discuss the suspicious activity or the report with the client in question.

Before opening an account for an individual, CSC will require satisfactory documentary evidence of a client's key information to satisfy KYC (Know Your Client) requirements. Before opening an account for a corporation or other legal entity, CSC will require satisfactory evidence of the entity's name and address and verify that the acting principal has been duly authorized to open the account. The CCO will retain records of all documentation that has been relied upon for client identification for a period of five years.

CSC will not open an account or accept funds or securities from, or on behalf of, any person or entity whose name appears on the List of Specially Designated Nationals and Block Persons maintained by the U.S. Office of Foreign Assets Control, from any Foreign Shell Bank or from any other prohibited persons or entities as may be mandated by applicable law or regulation as designated by the OFAC Country Sanctions Program.

CSC's CCO will conduct annual employee training programs for all personnel regarding the AML program. In addition, the CCO will conduct an annual review using OFAC and report any positive findings to management.

5. Is your firm in compliance with the Global Investment Performance Standards (GIPS®)?

Yes. CSC claims compliance with the GIPS® and upon request can provide presentations that are in compliance with the GIPS® standards. CSC as a Firm has been verified through December 31, 2023.

6. Are CSC's performance records audited?

Yes. ACA Compliance Group has completed its performance examination for our composites through December 31, 2023. A Firm verification is carried out on a semi-annual basis.

7. Please provide an overview of your disaster recovery plan

CSC has developed a Business Continuity Plan ("BCP") that addresses how we will respond to events that significantly disrupt our day-to-day business. Our plan anticipates two kinds of Significant Business Disruption (SBD), internal and external.

In the event of an SBD, our employees will work from their residence and communicate via telephone and/or e-mail. All members of our staff have sufficient technical resources to perform their functions from home. In the event employees do not have the resources, alternate access can be provided at two locations well known to each employee.

Our Firm maintains its primary hard copy of books and records at its sole office located in El Segundo, CA. Merihan Tynan, along with the Operations and Marketing teams, are responsible for the maintenance of all hard copy books and records. Our IT provider is responsible for maintaining all electronic records on hosted servers provisioned exclusively for CSC. All electronic records reside on these servers at a secure data center and managed by NIC. All primary systems are located at a data center in Los Angeles. Electronic backup copies of our all servers are made daily and reside at the data center of NIC. All data is replicated off-site to a secondary disaster recovery data center located in Phoenix, Arizona.

Only authorized NIC personnel have direct access to data hosted at this site. In the event of an SBD, CSC employees will be given secure remote access to these servers as an alternate way of accessing all electronic records. NIC is responsible for maintaining the system and Merihan Tynan and CSC team are responsible for testing of the system annually. Our latest was completed on December 09, 2021, with a high success rate. We have had no system failures or issues during any of our tests since the inception of our firm.

8. Please provide an overview of your cyber security policy and procedures.

CSC's cyber security policy prioritizes the protection of personal, confidential, and proprietary information for the firm, its clients, and employees, as well as safeguarding against data breaches and cyber-attacks. We partner with cyber security specialist and IT support company NIC to manage our system security while complying with current industry standards.

CSC works on a cloud that is protected by a SonicWALL Firewall with high available failover. NIC provides 24/7 monitoring, review, and support, protected by antivirus and network security. We have a secondary NIC server-farm for Disaster Recovery failover in Phoenix, Arizona. Each employee workstation has regular patches run to ensure endpoint protection with Webroot. Our remote login has a two-factor authentication to provide a second level of verification and security. Our email is also protected via a two-factor authentication.

In addition to our IT partnership, protecting the firm and its clients is a fundamental responsibility of every CSC employee. We provide employee training on best practices for cyber security and avoiding risky behavior. We recognize that the nature of cybercrime is constantly evolving, and as such, conduct periodic vulnerability assessments based on our firm's use of technology, third-party vendor relationships, reported changes in cybercrime methodologies, and in response to any attempted cyber incident, among other circumstances. We strive to constantly improve our cyber security policies and procedures.

9. Please describe where your primary network resides and the physical security surrounding it.

We partner with NIC, a Los Angeles-based Information Technology consulting firm that specializes in addressing the needs of investment advisers. NIC provides CSC with cloud computing services and technical support, and is responsible for maintaining all electronic records on hosted servers provisioned exclusively for CSC. These servers reside at a secure data center and are managed by NIC. All primary systems are located at a data center near Los Angeles International Airport. Electronic backup copies of our servers are made daily and reside at the data center of NIC. All data is replicated off-site to a secondary disaster recovery data center located in Phoenix, Arizona.

10. Describe the firm's privacy policy as it relates to collecting, sharing, and protecting personal information.

Our full Privacy Policy can be accessed on our website.

Cove Street Capital may collect and share personal information for everyday business purposes. The types of personal information we collect can include account balances, transaction history, wire instructions, and contact information. Federal law gives consumers the right to limit some—but not all—sharing with financial companies. View further details in our Privacy Policy.

To protect your personal information, we use federally-compliant security measures, such as computer safeguards and secured files and buildings. Please contact us for more detailed information.

Team + Culture

1. What is your Mission Statement?

Continually improving a world-class investment organization that delights clients with excellence in performance and client service, and inspires colleagues with a collegial meritocracy that rewards intellect and results.

2. What is your compliance policy on employees buying stocks that the fund owns?

We have a thoughtful compliance policy, which is available upon request. Subject to those rules which clearly mark out "client first" principles, we can see no reason why it is bad idea for employees to be eating at the same table as clients. The best financial decisions tend to be made by smaller groups of motivated people with skin in the game.

3. How has equity been distributed historically in the firm?

The firm has been 100% employee-owned since inception. We distributed equity in 2016, 2018 and 2021, and each time we added new Principals to the ownership group.

4. What is the corporate culture of responsibility?

We don't "give back" as we have not taken anything. Each year, a Cove Street professional is in charge of picking a non-religious, non-political charity of a size in which our gift and time can make a difference. We craft an onsite day for the entire team to work on behalf of the charity, and we also write a check. We continue to support that charity with a "tail" gift annually.

5. What about the proverbial "The Portfolio Manager and Founder gets hit by a bus?"

We appreciate your concern for his well-being. That said, we would reiterate the following: we own publically traded securities that are traded daily on the largest and mostly domestic exchanges. After a tender moment of condolence, a simple email to stop trading on your behalf would halt current activities and the vast majority of the portfolio could be liquidated by the end of the day. This issue only has relevance if Cove Street were running private, illiquid assets with irreplaceable contacts in a faraway locale, which is not the case.

We have 3 Research Analysts besides Mr. Bronchick, CFA on the investment team. Mr. Leaf joined us in 2018 and Mr. Farris joined us in 2022 to complete the investment team. Our investment process encourages analysts to exercise their portfolio manager muscles and be on record with their opinion as to what they would do if they were the PM. Over time, the loss of Mr. Bronchick will become less traumatic from a portfolio, business, and client perspective. That being said, we ask Jeff to look both ways before crossing the street.

6. Is there a back-up manager? Who is in charge of managing the fund when the Portfolio Manager(s) are on vacation or ill?

Although we have a lead analyst on each company, due to our "team tackle" approach, every member of the investment team is very familiar with each name in the portfolio. The absence of any one member does not prevent us from continuing work or making decisions. Mr. Bronchick is the final decision maker for Classic Value | Small Cap strategy, and if he is unavailable due to vacation or illness, we employ a "2 out of 3" rule as follows: if 2 of the 3 analysts agree that something should be done in the portfolio in the absence of the Portfolio Manager, they are permitted to take action. In practice, and consistent with our low turnover approach, these decisions are not big movements in the portfolio, but it enables the team to be responsive and make decisions.

7. What do you look for when hiring a new analyst?

We look for people that possess desire, work ethic, intelligence, a team-oriented viewpoint, and differentiated skill sets from the existing team. Also, they need to be good people and appreciate our unique culture.

8. What effective training system do you have for new investment professionals?

Most members of the investment team have an MBA and/or CFA. The best training is doing. The entire investment team sits together; all written and verbal work is available to all; regular meetings on all things Cove Street are open to all firm members so knowledge is distributed across the organization; there are regular "required" readings.

9. What are the incentives in place for key professionals to remain with your firm?

Mr. Bronchick is an active student of compensation and incentives, and he has created incentive structures that are consistent with our culture and objectives. In addition, we have worked with Focus Consulting Group (Chicago) to evaluate our compensation structures.

In short, we pay well. We pay for a combination of performance, teamwork, and thinking like an owner at all times. We do not believe in complex, siloed compensation structures, as they will inevitably be divisive to a team effort and culture. Schemes tied to micro- and short-term goals do not serve the generation of long-term performance. Competitive salaries, bonuses, and equity ownership intelligently used are more than sufficient to create and retain a dynamic environment. All of the research analysts are Principals and are thus also compensated through their equity interest in the firm. Mr. Bronchick was thoughtful in how he structured the firm and has the ability to use equity as a component of future compensation structures.

Mr. Bronchick is the portfolio manager and majority owner of the firm. As such, his compensation is ultimately driven by the success of our strategies, our clients, and the firm.

We espouse the ownership views from fellow value investor, Howard Marks…where we would rather own less and less of a more valuable firm. Mr. Bronchick jokes this concept is true all the way down to 51% and then he'll "have to think about it."

10. What kind of behavior are you trying to encourage through the evaluation and compensation process?

We evaluate twice a year, which prevents yearlong festering of problems. It formalizes our daily open culture. It forces people to address their own performance and enables a serious look into their thoughts about the company as a whole and their peers. Compensation is geared toward encouraging a blend of personal achievement and the furthering of Cove Street as a firm.

11. During this time of Coronavirus, are there any emergency measures that you have taken or plan to take, to make sure that key functions such as investment, operations, and trading stay functional and strong? Should there be times where people have to work remotely?

As of the start of 2021, all Cove Street Capital ("CSC") employees have been back in the office full time. We are still closely monitoring the rapidly evolving COVID-19 (Coronavirus) situation. We have been able to continue to provide our best level of service to all our clients and partners with normal operating procedures and regular office hours. We do not expect any impact to our service as the situation unfolds. With the "Safer at Home" order from the Governor of California in response to the COVID-19 situation, we implemented our Disaster Recovery and Business Continuity Plan starting March 19, 2020. Our plan is tested annually, and the last test was completed successfully in December 2021. Due to our advanced technology infrastructure, we are able to support remote work for all. There have been no significant operational disruptions as a result of implementing the Plan.

CSC has in place a full Disaster Recovery and Business Continuity Plan (BCP), which has been communicated to all employees. Our policy is to respond to a Significant Business Disruption (SBD) by safeguarding employees' lives and firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm's books and records, and allowing our customers to transact business. In the event that we determine we are unable to continue our daily operations from our main office location due to an outbreak of a virus, such as COVID-19, we will carry out the below and inform clients of our actions.

- Designation of essential operations and plans to reassign staff from non-critical functions if employee absence is a threat.
- As all employees work off a Remote Desktop System, our IT infrastructure is able to support remote work for all.
- Non-urgent travel is put on hold. The use of video, telephonic, and digital communication is encouraged.
- Assessment of the risk level of any vendors or other parties that we utilize. Confirmation from these critical vendors that they have a robust BCP in place and are able to deploy as needed.
- An internal communications plan, which is part of our annual Disaster Recovery testing protocol, will be used to ensure our business continuity. This includes updates and changes, which will be communicated as appropriate.

Philosophy

1. What are some common traits of good investors?

To quote Uncle Warren, "A firmly held philosophy not subject to emotional flow. Good investors are data driven and enjoy the game. These are people doing what they love doing. It really is a game, a game they love. They are driven more by being right than making money, the money is a consequence of being right. Toughness is important. There is a lot of temptation to cave in or follow others but it is important to stick to your own convictions. I have seen so many smart people do dumb things because of what everyone else is doing. Finally good investors are forward looking and don't dwell on either past successes or failures but rather look toward the future."

2. Has there been an evolution in the investment philosophy?

There is less evolution in the philosophy than evolution in the process—we are always seeking to get better and smarter about understanding businesses, valuation, and people—and how to evaluate them. Using ROIC as the benchmark for understanding business models, realistically valuing companies with a multivariate mindset, thinking long-term, concentrating on our best ideas, and understanding the motivation of management and the Board of Directors are constants. Making better decisions in the face of uncertainty is a topic under continuous improvement.

3. Why have you gravitated towards the style of Small Cap Value?

It works. The "Value" anomaly and the "Small Cap" anomaly are statistically demonstrated sources of outperformance. "Value" rewards actual work and thought versus playing games with what others think and worrying about "the market." It is a methodology and thought process that works across asset classes. There are still thousands of smaller companies with a higher probability of being overlooked by the investment community at large.

4. Shouldn't Cove Street specialize in either "Graham" or "Buffett" stocks and develop a deep understanding of the stocks that fit those criteria as opposed to investing in both types?

No. There are no points for purity given out in performance rankings. "Value" innately involves the analysis of the nature of the underlying business, an estimate of what it is worth, and a judgment call as to the competence and incentive of management to deliver value growth or to take steps to close the gap between the security price and the intrinsic value. Ignoring any part of this triad can lead to permanent capital loss. The process for identifying value is exactly the same in either what can be termed a "Buffett" or "Graham" approach—what is different is how an investor weights the factors. There are simply times when the price of a security more than compensates you for business risk and there are times where the price is so egregious that it puts you at risk of permanent capital loss no matter how good the business. We also think people misunderstand much of what Buffett professes, as much of it is due more to the size of his portfolio than some intellectual fault with buying statistically cheap stocks.

5. Should I be concerned about being a large percentage of your asset base or a high percentage of a strategy's assets?

To avoid an obvious and self-serving no, let us again steal from Howard Marks at Oaktree Capital who runs $120 billion in assets and for whom this question probably doesn't come up much anymore:

I've heard committees say, "We don't want to represent more than x% of a manager's assets under management or of the fund's total capital." But why not? Is the goal better performance or is it safety in numbers? If you're considering investing $10 million with a manager, why does it matter how much money she manages? Why is investing $10mm safe if she manages $1 billion but risky if she manages $50mm? If a manager is unusually skillful, aren't you better off as her client if she manages less money than more? And if a manager was really good, wouldn't you prefer that she managed only your money?

My most specific and most heartfelt advice is this: The surest way to achieve superior performance is by investing significant amounts with individuals and firms that can be depended upon for investment skill, risk control, and fair treatment of clients.

6. What distinguishes your firm's client service from a board that includes non-investment professionals?

We strive for transparency—bordering on over-sharing—with clients and prospective clients. While that level of transparency can be a positive for investment professionals, it can be overwhelming for non-investment professionals. To that end we keep our presentations as direct as possible and will meet custom information requests to the best of our ability.

Our Chief Client Officer, Paul Hinkle, serves as the primary point of contact for institutional client staff and Board. Mr. Hinkle has over 20 years of financial industry experience, works closely with the investment team, and understands the portfolio in detail.

We also have the added benefit of pursuing a strategy dedicated to "Classic Value" (buying a crumpled up dollar for 60 cents). How we research these companies is rigorous and detailed, but the overall strategy of creating a concentrated portfolio of Small Cap stocks is accessible.

7. Would you describe your strategies as systematic or discretionary? If systematic, please provide a summary of the algorithms that are used. If discretionary, how do you ensure repeatability in the process?

Our strategies are a blend of systematic and discretionary. They are driven by the information gathering, analysis, and decision making of our investment team. The design results in a repeatable investment process that capitalizes on research around behavioral finance, human decision making, and incentive structures. We discussed our 4-Step process elsewhere, but below are some of the key characteristics paired with the problem that each feature targets:

- Avoid the Expert Fallacy: We are a team of generalists for a couple of reasons. We would rather have a team of thoughtful, intelligent people collecting and processing information and coming to a decision than rely on one industry-specialized expert. If an analyst is not the industry specialist for a specific company, he/she will have a tendency disengage and differ to the expert, and that's a lot of wasted intellectual horsepower.

- Encourage Debate: Some people just want to "get along" and not challenge another member of the investment team. Our culture is designed to encourage constructive debate in all aspects of our business, but particularly within the investment team. We have assembled a team of diverse thinkers and to get the team to perform at their best, they need to be open to express their point of view, ask questions, and disagree. The team operates in a very flat fashion where everyone is engaged throughout the 4-Step process, from idea generation through to a portfolio decision. In Stage 3: Deep Dive, the team is organized into "Longs" and "Shorts" to encourage debate and downside orientation. Although Mr. Bronchick is our founder, is majority owner of the firm and makes the final decision on the Classic Value | Small Cap strategy, the culture is such that all are encouraged to challenge his thinking, analysis, and decisions, just as he challenges theirs.

- Clarity on How Decisions Are Made: We are not a firm where analysts write long investment memos and then submit them to the Portfolio Manager, who then gives them no clarity on how the final decision was made. Although Mr. Bronchick makes the final call with respect to the small cap strategy, the team works in a very flat fashion. Each analyst is engaged in the process of gathering information and synthesizing to make a decision. Each analyst that works on the potential investment is required to make a portfolio recommendation. "If you were the portfolio manager, what would you do? What do you think it's worth? Should we buy/sell it? What position size?" Your analysis is laid bare for others to challenge, and this is true for the Portfolio Manager as well. This keeps analysts engaged in the process and helps them develop the skills to process information and then come to a decision.

- The PM Owns the Portfolio: Although our process is very flat, in the end one person needs to own the decision. Group analysis is excellent for getting all of the issues on the table and the debate helps organize and prioritize those issues. Group decision making is more fraught. In the end, Mr. Bronchick makes the final call on the portfolio and owns those decisions.

- An Honest Record: Our Decision Process spreadsheet is the summary of our work on a company over time. Every company that goes through Stage 3: Deep Dive has a Decision Process. At each dated decision node, Analysts record their responses to approximately 40 questions, which are both qualitative and quantitative. The following are just a selection of these questions included: What are the four variables for the "Long?" What are the four "Short" points? List the Alternative Competing Hypotheses (i.e. How does this go badly?)? Complete a Porter's 5 Forces Analysis. Is Management stealing for us or from us? Does management and/or the Board have skin in the game? What is their track record for capital allocation, value creation, and ROIC? What are we thinking that the market isn't? What will it cost us if we are wrong? Where is this business in 7 years?

- What are the PEEST risks (Political, Environmental, Economic, Social, and Technological)? How much leverage and what is the structure and pricing of that debt? In the final stage of the process, each analyst must answer: What do you think the company is worth? Should we buy/sell it? To what position size? Finally, the Portfolio Manager records his decision. The entries are dated and serve as our honest intellectual history of what people were thinking at the time and how the decision was made. We continue to study and research companies over time. Whether it is an investment candidate or one that we own in the portfolio, we will complete a Decision Process entry as appropriate, when there is new material information or a new perceived opportunity. Recording the analysis and the recommendations helps us avoid revisionist history and maintain intellectual honesty, is applicable for compensation purposes, and helps us identify and monitor our own biases.

8. Is there an optimal environment for your investment approach? What kinds of markets would you perform best in? Worst in?

The goal of a value manager should always be "competitive returns in up-markets and outperformance in down-markets." With the exception of 2008/2009, a period which completely flipped that mantra on its head, that is what investors should expect over the long-run. We anticipate that we would do well on an absolute basis in most environments that are dissimilar to 2008 as we have a relatively concentrated portfolio that enables security specific value recognition to deliver performance away from market returns.

9. Do you believe that an investment approach that worked in the past may not work in the future and, therefore, that you need to change or modify your investment approach over time?

We think common sense and at least a few hundred years of history support the idea that carefully researching a select group of investment ideas that reasonably appear to be selling at a discount to intrinsic value is not an approach that is in danger of dying out. Our approach may fall into or out of favor from time to time, but we believe that sticking to our core philosophy and process gives us the best chance of success over time.

10. How do you quantify Risk/Reward?

Before one makes an investment, you must have some approximation of a target price. Proceeding without one is equivalent to trying to throw a ball at a target while blindfolded. Additionally, one attempts to also quantify the risk of being somewhat to terribly wrong under a variety of scenarios. Both processes are "multivariate" which incorporates a number of possible outcomes, both positive and negative. Portfolio weights also come into play here as higher reward/higher risk specific ideas can be risk-weighted in the portfolio by a smaller position. It is crucial to understand that "quantification" of target prices can be highly imprecise, subject to great change with the passage of time and/or the panoply of unforeseen circumstances.

11. Do you pursue activist strategies?

From time to time and in the past, we have moved from our perch as passive investors and engaged management in order to improve current corporate governance practices, redesign executive pay packages, or seriously discuss capital allocation decisions. We would call this more of a "suggestivist" approach rather than activist. Ideally, this is accomplished through rational meetings and conversations with company management and/or the Board of Directors. Our experience in these areas has suggested that further action can periodically be required, as we have noticed that human behavior begins to change when people realize they are being observed. This has involved filing 13-Ds with the SEC indicating our interest in pursuing such discussions with company management and other material shareholders. It has also involved negotiating to place new Board members at the company to ensure shareholder rights are being properly respected. Our goals are very simply to protect our rights as shareholders as well as to encourage actions that benefit all shareholders, and we weigh the gains to be had versus the time and dollars that need to be expended to achieve such an end.

In our CSC Partners Fund, LP, we pursue a "Private Equity in Public Markets" approach and seek direct Board representation from the outset in order to assist in strategic direction, M&A evaluation, corporate governance, investor relations, and capital allocation.

12. How does the rise of ETFs impact value investing and small cap value investing in particular?

Anything that creates more money not paying micro attention to individual securities is a long-term positive in our opinion. The oddity of the directionally correct argument for a strong version of Efficient Market Hypothesis (EMH) and passive investing in many asset classes is that "not too many people" can buy into it for it to be successful. With NO ONE doing any fundamental work and trying to beat the market, how can security prices remotely reflect proper value so that one can blindly index? In the shorter run, ETFs and passive flows can exacerbate security movement in either direction.

13. Does our $1.1 billion of Small Cap Capacity account for growth in other strategies?

This relationship is a sliding scale. The $1.1 billion of capacity in our Small Cap strategies (Classic Value | Small Cap and Classic Value | Small Cap FOCUS) allows for material growth in Micro Cap Opportunities. We will revise the capacity of Small Cap down as necessary to maintain the integrity of the strategy.

Process

1. Give examples of grass roots research that you have performed, why you decided to do this work, and the benefits derived.

There is no such thing as "grass roots" research. If what you mean is "non-Wall Street" research, then the answer is nearly everything we do constitutes Grass Roots Research (GRR). We build our own models, we subscribe to many industry newsletters or blogs—free and paid—to find differing views of an industry, we attend industry trade shows, we utilize LinkedIn to find industry sources to talk to, we visit companies and management to further our knowledge and build relationships, and we pay industry consultants where we think we need additional background.

2. Describe the valuation frameworks that are used for individual security selection.

We apply a multivariate approach to establish our estimate of intrinsic value for each company that advances through our process. Valuation is like a seesaw: you are balancing value paid with quality purchased. To do so, we will use several different valuation methodologies, including discounted cash flow analysis, publicly traded comparables, and private market values. Metrics that we may focus on based on the company and industry include return on invested capital (ROIC), price to book, and enterprise value to normalized EBITDA, NOPAT, or sales. We consider current multiples and the long-term trends on a standard-deviationized basis. As appropriate, we run on the sensitive side on the operating and valuation metrics to understand the range of potential outcomes and look at the Sum of the Parts (SOTP) to identify "free" options. We do not rely exclusively on any one of these methodologies and approaches, and instead use them to triangulate on an estimate of intrinsic value.

3. Do you establish price targets for each security in the portfolio? If so, how are they determined? How do you think about downside risk when you are analyzing a stock? Do you like to see a minimum upside/downside relationship?

We establish price target ranges for each security that enters our Stage 3: Team Tackle + Deep Dive. We take a multivariate approach to identify the intrinsic value of securities and the underlying companies. The range of tools that we apply includes discounted cashflow, historical comparable trading multiples, private market value, and asset-based methods. No single valuation methodology is applicable in each situation across our investment universe, so we are nimble in terms of using the correct set of tools given the specific company being considered. That said, we consider price targets a "direction" in our Buffett names, and they are stickier in our Graham names.

We feel giving a voice to the "Short" (Devil's Advocate) and developing the Alternative Competing Hypothesis creates a dynamic where there is healthy debate and a more conservative view both in terms of the upside and downside assessments and the corresponding risk/reward of the opportunity. In addition, the team identifies four critical variables that we believe will be outcome determinative. To the extent these variables are quantitative in nature we test the model to assess value in downside scenarios. We very specifically use different valuation models as to not be led down an erroneous path by one variable. We use sensitivity analysis extensively. Price targets are continuously updated as we adapt to new information.

We don't have a specific target for the upside/downside relationship, but we do look for companies with asymmetrical outcomes where the downside is boredom.

4. How do you get comfortable with the downside scenarios? How do you know that the downside is boredom?

While the future remains uncertain, we use deep fundamental work, multivariate analysis versus one measure of value, absolute and relative work, and experience. We attempt to be savvy about "risk-weighting" positions with higher risk/reward scenarios so that the penalty for a mistake is minimized.

5. How important is the evaluation of management and company visits?

The evaluation of management is crucial, as poor strategic and capital allocation decisions can badly hamper an otherwise reasonable business selling at a reasonable valuation. We check in with management to understand the basic game plan, but we have come to appreciate an old saying, "The more we talk to management, the dumber we get." Thus, we believe a careful analysis of management's background and compensation structure, the composition of the Board of Directors, and following long-term trends in return on invested capital are much more valuable to understand "management" than company presentations.

6. At certain points, you have had significant energy exposure. How do you create alpha in a commodity driven industry?

From time to time we have had significant energy exposure, and the experience can reinforce an appreciation for how quickly and violently things can change. Changes in capital allocation, new management, a "safe" balance sheet, and/or a deeply discounted valuation are decent starting points in which to consider a commodity oriented investment. That said, it is definitively not our favorite pool in which to fish.

7. Why have the 2.5% and 5.0% positions? Isn't there incremental value in more actively managing the weights within the portfolio?

Our value add is in the security selection. We executed a back-test to address this question with an outside analytical partner. After a lot of time and expense, the analysis concluded that we demonstrated little value add by making frequent position changes. We will "shade" a position but hold that activity up to a materiality bar.

8. How do you ensure that the statistically cheap stocks aren't value traps?

Value traps are always value traps...in hindsight. In other words, if it works, it's not a value trap. There are certain characteristics that lead to value traps. For example, a company with an extremely conservative financial policy and entrenched management that has no desire to increase the dynamism of the company or to realize the value in the security can lead to a value trap—you can be sitting with something for a very long time with relatively little growth in intrinsic value or a corporate event which captures much of the disparity between the market price and asset value.

The question in avoiding a value trap is twofold. First, are the dominant shareholders or management incentivized to have some kind of a transaction that's going to increase the market value of the company in the reasonably near future? And second, is the intrinsic value of the company increasing at a relatively attractive rate of return? If you've got the latter, then presumably the valuation is going to rise at least at that rate of return, even preserving a big "Sum-of-the-Parts" (SOTP) discount under an unfavorable value trap situation. What you'd love to have is both, but what you want to avoid is where you have neither.

9. With respect to the sell discipline, what prompts a review? How do you apply your sell discipline to the Buffett values?

Our sell discipline (both upside and downside) is not formulaic but is based upon a blend of qualitative and quantitative measures that address Business, Value, and People.

- Valuation.
- A corporate event that requires possible action.
- Under continuous analysis theory, the conclusion has been reached that a mistake has been made in our analysis that risks permanently impairing our capital.
- A better idea has been found and we can upgrade the price/value of the portfolio.
- We often use a tree vs. table analogy for the Buffett vs. Graham comparison. Buffett values are like trees that increase their intrinsic value as they grow at a rate generally equal to their cost of capital. Every year they are a little bigger and a little more valuable. Graham values on the other hand are tables, also made out of wood, but they don't grow over time. Two years from now a table is still a table and its intrinsic value has not changed. These Graham values are bought to be sold when the prices reaches our initial estimate of fair value.

10. Do you have a specific required rate of return hurdle for each stock that is purchased in the portfolio?

We target a 50% return threshold over 3 years with a downside of boredom.

11. I plugged your Small Cap portfolio into our software and then marked it up to 1.1 billion in assets and determined that it would take you 23 years to sell "----"...and a number of others would have liquidity problems?

That is a theoretical exercise that is not really applicable in day-to-day portfolio management. The fact of life as a small cap manager is that you are buying certain stocks at $100mm in assets that you cannot buy at $300mm in assets...and there are stocks you are buying at $300mm in assets that you can't buy at $600mm in assets etc. We have no issues with 4 to 5 stocks out of 30 something names being "private equity–like"—one of the core fundamentals of the longstanding academic support for why Small Cap Value outperforms is fear of liquidity—we take advantage of that but recognize there is a limit to how far you can take it. We also invested in an experienced trader, which is a key factor in finding liquidity on both sides. Liquidity is an ephemeral issue—you cannot take 30-day averages and project it into the future. There is often huge liquidity at inflection points, which dries up in the "middle." Ideally, we are there at both inflection points—distressed value and then excitement and greed.

12. How is risk management incorporated into your process?

Our intensive investment process is our best source of risk control—we know what we own, we believe the valuation suggests a proper margin of safety if we are wrong, and we run concentrated portfolios, a fact that indicates we are fully engaged in watching the basket closely.

- Position size: Focusing on our best ideas lowers the risk of permanently losing capital. We appropriately size position weights depending on the nature of the business, margin of safety, and tactical considerations at time of purchase, and have a 10% limit on any single security at purchase.

- Concentration maximum: With the exceptions of our Small Cap FOCUS and Micro Cap Opportunities strategies, we limit our exposure to any particular industry to 30% of the portfolio on the behavioral finance suggestion of the potential for hubris in investment management.

- Liquidity constraints: Client guidelines and goals, carefully monitor position size in less liquid securities, weekly statistical analysis

The Portfolio Manager, Chief Compliance Officer, and the President—who is also the Head Trader—lead efforts to ensure that client portfolios are managed within the respective guidelines.

13. Does your organization allow for the integration of environmental, social, and corporate governance (ESG) issues in investment processes?

Environmental, Social, and Governance factors, particularly as it relates to governance, are integrated into our research process and investment decisions. While it is a very popular sales tool today for the investment community, we find it an intellectual stretch to suggest it is a new idea, and we find difficulty in directly attributing any documented investment "edge" through a strict application of any "ESG" rule. By definition, any worthwhile business considers the cost and benefits of specific actions regarding ESG considerations, as well as public reputation and regulatory compliance in regard to these issues. As a result, ESG considerations have always been incorporated into our investment research.

We have managed ESG sensitive portfolios for over twenty years. While we are highly sensitive to the "G," and read and vote our own proxies and respect client guidelines on the "ES." By doing our own internal work and running concentrated portfolios, we find that we can get to core ESG issues much more effectively on a company by company basis and not rely on outside services which try to lump square companies into round holes with contradictory results. We don't presuppose to judge which ESG issues are valid or important to our clients.

14. Please provide an overview of the firm's Environmental, Social, and Corporate Governance (ESG) policy.

We are value investors at our core, and ESG factors—particularly as it relates to governance—are integrated into our research process and investment decisions. Our concentrated portfolios can be customized based upon the specific client sensitivities. Longstanding relationships with ESG-oriented clients affirm that our processes and systems are effective in managing to client needs. We do our own work, vote the proxies, and do not rely on outside service provides to evaluate or score companies on ESG factors. Engaging with management and the Board can be necessary to effect change and protect shareholders, and we are comfortable raising our voice privately or publicly as necessary.

15. As it relates to the "G" in ESG, describe the firm's governance engagement with corporations.

Our engagement with Companies and Boards is focused on the following Governance principles:

Strategy — Companies should adopt, formulate, and communicate value-enhancing, long-term strategies

Incentives — Companies should align management and board incentives with long-term shareholder goals

Board Independence — Effective boards of directors must be truly independent

Shareholder Representation — Companies should strive to maximize shareholder representation

Capital Deployment — Companies should allocate capital to maximize long-term risk-adjusted shareholder value

Transparency and Communications — Companies should provide transparency in communication and reporting

Risk Management — Boards of directors should actively engage with management to evaluate and control enterprise risk

Environmental / Social Issues — Companies should consider the long-term impact of their business model and operations

16. How does the firm integrate ESG issues into the investment process?

At our core, we are bottom-up, value investors. ESG risks and opportunities are analyzed throughout all of the phases of our investment process.

17. How do changes in the investment team affect the Cove Street Process?

A. From time to time, "things change" and as a professional services firm, that means changes at the people level. Some relevant thoughts:

1. We are team, not a family, we endeavor to build a culture that attracts and develops motivated people who think what we do is important, intellectually challenging, and…fun. It is not for everyone and from time to time either we, or the individual, decide it is not for them.

2. We like to hire people early in the career and develop them in our style. Again, things change and the life demands and thinking of a younger person might change ten years later on any myriad of issues one can think of.

3. Change is sometimes "great and refreshing." Bringing new people into the firm inevitably brings fresh viewpoints and a refocus on what we have been doing vs what we should be doing. It is "work" but its invigorating and thoughtful work that we have found is a clear net positive.

INVESTMENT RESEARCH. Our process includes deep research into the nature of the Business, the appropriate Value for the business, and the People (i.e. management and Board) that are entrusted to manage the existing business and allocate capital going forward. We are meticulous students of pay and corporate governance structures. As part of our analysis we evaluate the composition of management, their record of performance, the culture of the firm as a whole, the compensation of the management team, and the composition of the Board of Directors. We collect data from public sources (proxy statement, transcripts, etc.), primary sources (conversations with management, former employees, etc.), and secondary sources (Glassdoor, etc.).

As part of our process, we execute a PEEST analysis (Political, Economic, Environmental, Societal, and Technological risks). This encourages the team to consider how larger picture issues might influence the fundamentals of the company and an investment outcome.

Bloomberg also has their version of ESG ratings and rankings, which we warily keep as part of the investment file.

These considerations influence both the decision to include a position in the portfolio and its position size.

MONITORING AND REVIEW. Our bottom-up research is thorough—initially *and* on an ongoing basis. We continuously monitor the companies that we own and that are under consideration for relevant developments and changes, ESG issues included.

With respect to governance specifically, we closely monitor changes at the company particularly with respect to the management team, their compensation, and the Board. Material changes are incorporated into our overall evaluation of the company and the resulting investment decisions. We carefully monitor human resource sites like GlassDoor to assist in understanding culture. We also keep track of “what they say” vs. “what they do” over many years of annual report study.

ENGAGEMENT OPPORTUNITIES. We evaluate management teams and the Board, and engage with them on several fronts privately and then, as necessary, publicly to protect client capital. One key point of interest is their approach to capital allocation and efficiency, which allows us to encourage constructive change where required. Our investment team will engage with Boards to understand the rationale behind existing compensation structures, which we believe should be aligned with the interests of shareholders.

PROXY VOTING. Unless otherwise indicated by the client, we vote proxies in a manner that is consistent with our fiduciary duties but also customize our votes to accommodate the specific interests of clients.

Website Quotes

“Only with confidence created by a strong decision-making process can investors sell mania-induced excess and buy despair-driven value.” — David Swensen

“Obvious prospects for physical growth in a business do not translate into obvious profits for investors.” — Ben Graham

“We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful.” — Warren Buffett

“Everything should be made as simple as possible, but not simpler.” — Albert Einstein

“The four most expensive words in the English language are, 'This time it's different.’” — Sir John Templeton

“The stock market is filled with individuals who know the price of everything, but the value of nothing.” — Philip Fisher

“If investing is entertaining, if you’re having fun, you’re probably not making any money. Good investing is boring.” — George Soros

“When a management team with a reputation for brilliance tackles a business with a reputation for bad economics, it is the reputation of the business that remains intact.” — Warren Buffett

“Rarely do more than three or four variables really count. Everything else is noise.” — Marty Whitman

“It isn’t the head but the stomach that determines the fate of the stock-picker.” — Peter Lynch

“You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right.” — Ben Graham

“Sir Isaac might well have gone on to discover the Fourth Law of Motion: For investors as a whole, returns decrease as motion increases.” — Warren Buffett

“A wealth of information creates a poverty of attention.” — Herbert Simon

“It turns out that value investing is something that is in your blood.” — Seth Klarman

“The desire to perform all the time is usually a barrier to performing over time.” — Robert Olstein

“Diligence is the mother of good fortune.” — Miguel de Cervantes

“I try to initiate change through provocation, irony or violent criticism and also if necessary, through logical explanation.” —Nicolas Hayek, Swatch

“Stocks aren't cheap and popular at the same time.” — Unknown

“The way to win is to work, work, work, work and hope to have a few insights...And when you get a few, you really load up. It's just that simple.” — Charles Munger

“We don't have an analytical advantage, we just look in the right place.” — Seth Klarman

“The truth does not change according to our ability to stomach it.” — Flannery O'Conner

"The average long-term experience in investing is never surprising, but the short-term experience is always surprising." — Charles Ellis

"In the beginner's mind there are many possibilities, but in the expert's mind there are few." — Zen Master Shunryu Suzuki

"The value premium is compensation for living with the stress of ownership that the seller can no longer endure." — Lewis A. Sanders

"The essence of investment management is the management of risks, not the management of returns." — Benjamin Graham

"A lot of people die fighting tyranny. The least I can do is vote against it." — Carl Icahn

"Idle dreaming is often of the essence of what we do." — Thomas Pynchon

"Research is what I am doing when I don't know what I am doing." — Wernher von Braun

"Usually a very long list of securities is not a sign of the brilliant investor, but of one who is unsure of himself." — Phillip Fisher

"Never invest in any idea you can't illustrate with a crayon." — Peter Lynch

"Choosing what data to collect takes insight; making good sense of the data collected requires the classic methods." — Emanuel Derman

"…Create a culture that breeds an endless search for ideas that stand or fall on their own merits rather than the rank of their originator…" — Jack Welch

"Do nothing for as long as possible... Slow preparation, fast execution… Question the heroic approach… Voice your suspicions…" — Brian Eno

"I not only use all the brains that I have but all I can borrow." — Woodrow Wilson

"We are responsible for the world in which we find ourselves, if only because we are the only sentient force which can change it." — James Baldwin

"We make a living by what we get, but we make a life by what we give." — Winston Churchill

"It's not what you look at that matters. It is what you see." — Henry David Thoreau

"For every one of our failures, we had spreadsheets that looked awesome." — Scott Cook, Chairman of Intuit

"If you have an important point to make, don't try to be subtle or clever. Use a pile driver. Hit the point once. Then come back and hit it again. Then hit it a third time—a tremendous whack." — Winston Churchill

"I take some malicious pleasure in saying it's the book on finance (*Security Analysis*) that's been read by more people and disregarded by more people than any other that I know of." — Ben Graham

"The daunting realization is that we don't know what the hell we're doing in most fields of life, especially the ones that involve people." — Richard Thaler

"If you develop competence, have passion for what you do, and approach everything with honesty, the outcome will always be fine." — Jimmy Page

"But something about which I feel strongly is that it's not the things you buy and sell that make you money; it's the things you hold." — Howard Marks

"It takes a genius to whine appealingly." — F. Scott Fitzgerald

"That's always been a big problem with me…I find it hard to get old and hard to say no." — Ronnie Wood

"You don't become a value investor for the group hugs." — Seth Klarman

"It is difficult to get a man to understand something when his salary depends upon his not understanding it." —Upton Sinclair

"If you're looking for a manager, find someone who is intelligent, energetic, and has integrity. If he doesn't have the last, make sure he lacks the first two." — Warren Buffett

"Knowledge is knowing that a tomato is a fruit. Wisdom is not putting it in fruit salad." — Miles Kington

"A society that puts equality before freedom will get neither." — Milton Friedman

"Creativity is the power to connect the seemingly unconnected." — William Plomer

"Le petit quelque chose qui fout tout par terre." — Unidentified Frenchman

"What is your idea of earthly happiness? To be vindicated in my own lifetime." — Christopher Hitchens

"If you can see the light at the end of the tunnel, it's probably too late." — Mark Mobius

"Our main business is not to see what lies dimly at a distance, but to do what lies clearly at hand." — Thomas Carlyle

"When people give up because a task requires cognitive strain in order to be done properly, it often means there is an opportunity to capitalize on for those willing to put in the effort." — Steven Duneier

"If everything you do needs to work on a three-year time horizon, then you're competing against a lot of people. But if you're willing to invest on a seven-year time horizon, you're now competing against a fraction of those people, because very few companies are willing to do that. Just by lengthening the time horizon, you can engage in endeavors that you could never otherwise pursue." — Jeff Bezos

"Doubt is not a pleasant state, but certainty is a ridiculous one." — Voltaire

"A-list people do not directly criticize A-list people: doing so is a way to become a B-list person." — Corporate Governance Expert

"There's also a negative correlation between the number of people making the investment decisions and the results. If you have a lot of people involved, you tend to have the least competent person making the decision, because you need consensus." — Lou Simpson

"If the token is being burned, then you have an economic model that says the value of the token is the net present value of basically all future burnings."— Vitalik Buterin, the 23-year-old creator of Ethereum

"I don't read fiction. The opportunity cost is too high." — Ben Claremon, Cove Street Capital

"Well done is better than well said." — Benjamin Franklin

"The often used phrase regarding America's space program is 'failure is not an option'…but if failure is not an option then you need to stay on the ground. Everything about space travel is subject to failure and if it is worth doing it will involve taking calculated risks." — Buzz Aldrin

"I'm the king of debt. I'm great with debt. Nobody knows debt better than me." — Donald Trump

"I do not believe that selling at very low prices is a remedy for having failed to sell at high ones." — John Maynard Keynes

"It is hard to imagine a more stupid or more dangerous way of making decisions than by putting those decisions in the hands of people who pay no price for being wrong." — Thomas Sowell, American economist

"In a strategy that entails ruin, benefits never offset the risk of ruin." — Nassim Nicholas Taleb

"The difference between successful people and really successful people is that really successful people say no to almost everything." — Warren Buffett

"Sooner or later, the great men turn out to be all alike. They never stop working." — V.S. Pritchett

"If you can keep your head when all about you are losing theirs…yours is the Earth and everything that's in it." —Rudyard Kipling

"Kites rise highest against the wind – not with it." — Winston Churchill

"In my experience eloquent men are right every bit as often as imbeciles." — Tyrion Lannister

"It is always the simple that produces the marvelous." — Amelia Barr

"'Just remember,' he said. 'Turn every page. Never assume anything. Turn every goddamned page.'" — Robert Caro

"Regulation is a playground for smart people." — Oliver Ireland (ex- Federal Reserve lawyer)

"Time isn't the main thing. It's the only thing." — Miles Davis

"The most difficult thing is the decision to act, the rest is merely tenacity." — Amelia Earhart

"Todo es comenzar á ser venturoso." — Miguel Cervantes

"The more random combinations we produce, the greater the burden to screen out the useless ones. Insight involves making a new discovery without having to consider bad ideas. As the mathematician Henri Poincare put it, 'Creation...does not consist in making new combinations...the combinations so made would be infinite in number and most of them absolutely without interest. To create precisely in not making useless combinations.'" — Gary Klein

"You may not get rich doing research, but you have high odds of becoming poor if you don't." — Jack Treynor

"We have not allowed precision to be the enemy of insight." — Neil Ashe

"You live and breathe paradox and contradiction, but you can no more see the beauty of them than the fish can see the beauty of water." — Neils Bohr

"It is sometimes easier to make the world a better place than to prove you have made the world a better place." — Amos Tversky

Team Biographies

RESEARCH + INVESTMENTS (3)

Jeffrey Bronchick, CFA

Principal, Portfolio Manager

Jeffrey Bronchick, CFA is the Founder and a Portfolio Manager of Cove Street Capital (CSC). He has over 40 years of experience running research-driven, concentrated, value-based strategies across all market capitalizations. Prior to the founding of CSC, Jeffrey was the Chief Investment Officer and a lead principal of Reed Conner & Birdwell, LLC, a Los Angeles based investment manager. He was one of the first columnists for the TheStreet.com in the 1990s and then moved on to a similar role with Grant's Interest Rate Observer's first online effort. Jeffrey previously worked in equity research, sales, and trading roles at Neuberger Berman, Bankers Trust, and First Boston. He attended the London School of Economics and graduated from the University of Pennsylvania with a BA in Economics.

When he does not have his nose buried in an iPad reading SEC filings, Jeffrey's interests include general husbandry, parenting twin girls, playing lead guitar for the "legendary" band Trouble at Home, and golf. He also remains open to any cash bet involving any racquet sport.

Andrew Leaf

Principal, Research Analyst

Andrew Leaf joined Cove Street in 2018 as an Associate from Sagard Holdings, a multi-strategy fund where he performed fundamental due diligence and valuation analysis in assessing small-cap companies. Prior to this role, Andrew was an Analyst in the Mergers & Acquisitions group at Deutsche Bank, working on buy-side, sell-side, and strategic alternative transactions. He graduated magna cum laude from Georgetown University's McDonough School of Business with a degree in Finance and Accounting.

When Andrew is not in the office, he is usually reading a presidential biography, running, or hiking, sometimes simultaneously.

Austin Farris

Research Analyst

Austin Farris joined Cove Street in 2022 as an Analyst from Verdis Investment Management, a single family office where he focused on sourcing and due diligence for their real estate and private equity teams. Austin previously interned at Cove Street in 2019 while he was studying at the University of Pennsylvania, where he graduated with a degree in Economics.

Outside of work and family, Austin can be found running, tweeting about tennis or basketball, or narrowly avoiding injury on the ski slopes. He is also the reigning Cove Street Ping Pong Champion.

TRADING, OPERATIONS & COMPLIANCE (3)

Matthew Weber

Principal, President

Matt Weber is a Principal and Director of Trading & Operations. He joined Cove Street Capital in 2013 and became President in January of 2018. Matt brings over twenty-two years of experience from his work on both buy- and sell-side trading desks, covering both the long-only and hedge fund sides of the business. Matt started his career at Access Securities in Stamford, CT where he quickly rose to leading a sales trading team. Making the jump to the hedge fund universe in 2005, he became the head trader and operations expert at Lakeway Capital in El Segundo, and was most recently the Co-Head of Trading at Lombardia Capital in Pasadena, where he focused on both international and domestic trading. Matt holds a BA in Business Administration from the University of San Diego and is a UCLA Anderson Alumnus.

When not at work or with his family, Matt can be found working on way too many community based committees for public schools and acting as campaign manager for local elections. Matt continues his best Gilligan impression while sailing the coast of California on a 34-foot Catalina.

Merihan Tynan

Principal, Chief Compliance Officer

Merihan Tynan joined Cove Street Capital in 2015 to complete our compliance team. She became our Chief Compliance Officer in January of 2018. She has over sixteen years of experience in Operations, Due Diligence, and Senior Client Service in both Back office and Hedge Fund businesses. Prior to joining Cove Street Capital, Merihan led a Client Services team at SS&C GlobeOp in Mumbai, India. She was relocated from the London SS&C office to build a new Client Relationship Management group to cater to certain clients and Due Diligence requirements. Merihan holds a BA in International Business and French languages from the University of Brighton; United Kingdom.

When she does not have her nose buried in her computer reading compliance and regulatory documents, Merihan' s interests include general wifery, parenting an amazing little girl, playing football (soccer to my fellow Americans), practicing the beautiful art form of belly dancing, and enjoying the outdoor life of sunny California.

Fabiola Barrios

Principal, Controller

Fabby Barrios joined Cove Street Capital in 2017 as the firm's Controller and became a Principal of the firm in 2021. She has over sixteen years of experience in the finance industry, specifically in the areas of corporate finance/accounting and investment operations. Previously, Fabby worked as the Chief Administrative Officer at Lombardia Capital Partners where she was responsible for the firm's finances, human resources, office administration, and also assisted in the areas of investment operations, compliance, and client services. Prior to joining Lomabardia Capital Partners, Fabby served as the Controller and Business Operations Manager at Glauber, Berenson & Salazar, a workers' compensation law firm in Pasadena, California. Fabby holds a BS in Business Administration/Accounting from California State University, Los Angeles and is currently working towards a Financial Reporting Specialization at Illinois University at Urban–Champaign.

Fabby runs a household which potentially includes a World Cup level footballer, and spends Sundays with her extended family reenacting scenes from Like Water for Chocolate.

BUSINESS DEVELOPMENT + CLIENT SERVICE (1)

Paul Hinkle

Principal, Chief Client Officer

Paul Hinkle joined Cove Street Capital in 2012 and brings over 20 years of experience in the financial services industry. Previously, Paul was a Vice President at Guggenheim Partners, where he executed M&A advisory and financing transactions for both middle-market and large cap companies. Previously, Paul had similar roles at Bear, Stearns & Co. and Needham & Company. In addition, he founded Silverstrand Enterprises, a consulting practice focused on start-up companies in Southern California. Paul earned his BA in International Relations from Stanford University and his MBA from the UCLA Anderson School of Management with concentrations in Finance and Entrepreneurial Studies.

When not working, Paul can be found spending time with his family, including his three daughters, practicing his short game, or surfing…to relieve the stress of the previous two pursuits. When on the road for work, he enjoys visiting old friends, seeing any variety of sporting events, or visiting the local art and history museums.